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ALFRED P. SLOAN SCHOOL OF MANAGEMENT

ENTREPRENEURSHIP IN THE INNER CITY:

A Case Study of
Organizational Development¹

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The revitalization of our nation's central cities is in large part dependent on the redevelopment of the economic institutions which once stimulated their growth. Some of the most promising approaches to rebuilding the inner city are those programs aimed at developing black entrepreneurship. There are several reasons why these programs seem promising.

First of all these programs provide a potential solution to the problems of poverty and the decaying central city by building businesses which increase income, reduce unemployment, and reduce the ghetto "balance of payments" problem whereby the money leaving the ghetto for goods and services far exceeds that which is coming in.

Secondly, the development of viable businesses owned by members of the black community can bring blacks economic and political power in the fierce competition for the city's limited resources. Furthermore, this approach to social change is more attractive to those moderate elements of the black community who do not feel they are represented by the militant revolutionary tactics.

A third reason for programs to promote black capitalism is that these programs build black pride and sense of identity by erasing another area of injustice and inequality. Sample statistics illustrate the inequity of the status quo. Although non-whites make up over 11% of the U. S. population, and almost 11% of the total employment, they constitute only 2.8% of all managers, officials, and proprietors in the country. Exact figures for black business ownership are unavailable, but the figure usually given is that one black person in a thousand is a proprietor compared to one white person in forty.

Finally, black capitalism is promising because it provides an alternative solution to endless welfare programs. Public funds spent to develop businesses in the inner city may well be multiplied many times, while welfare funds seem only to feed a continuing cycle of decay and despair.

Yet if the promises of black capitalism are to be realized, many pitfalls must be avoided. Small businesses in the United States have a very high failure rate, and most of these businesses did not have the added handicap of the inner city environment. To insure the success of black entrepreneurship, therefore, these programs need to be coupled with comprehensive assistance and education programs. These programs must include five important factors which are crucial to the success of any business: (1) capital, (2) technical skill, (3) motivation, (4) connections and support in the community, and (5) markets. The challenge is to develop these programs in such a way that they are widely available to, and controlled by, the black community.

Our aim, in the case study described below, was to attempt such a program. Our strategy was twofold; first to use the university's resources as a focus for the development of an already existing community organization--The Roxbury Businessman's Association--, and second to provide a vehicle whereby the resources and concerns about urban problems in the M.I.T. community could be channeled into constructive action in Roxbury. Since this project focuses on the development of a community organization whose purpose is the promotion of inner city business, it will be described in the paradigm of an organizational development program.

A Model for Organization Development

The conceptual model of an organizational development program used here has seven phases with two primary feedback loops. The seven phases are scouting, entry, diagnosis, planning, action, evaluation, and termination; and the two primary loops are the information feedback from the planning phase into the entry phases, and the information feedback from the evaluation phase into the planning phase. Figure 1 is a representation of the model.

In the scouting phase the client is scanning his surroundings for a consultant that he feels will satisfy his needs; the consultant is examining the environment for possible programs. Each have certain criteria for judgment: the client group is looking for a consultant who has expertise in the area in which he feels his problems lie, someone who costs an amount appropriate for the client's budget; the consultant is looking for a client who will present a problem in which he can utilize his knowledge and skills and gain rewards for his efforts.

Once a prospective client-consultant match is found, the process of entry begins. Certain questions should be asked at this point: What are the expectations and goals of the client and the consultant? What are the normative and value differences between the two groups? Can the client and consultant reach a consensus on their objectives? In the diagnosis phase which follows, the client and consultant examine the forces operating on and within the organization that have produced the problems they are looking at. Once the problem has been diagnosed, the planning step begins, usually with a reexamination of the entry contract in the light of the new information generated by the diagnosis. From this reexamination come a series of action

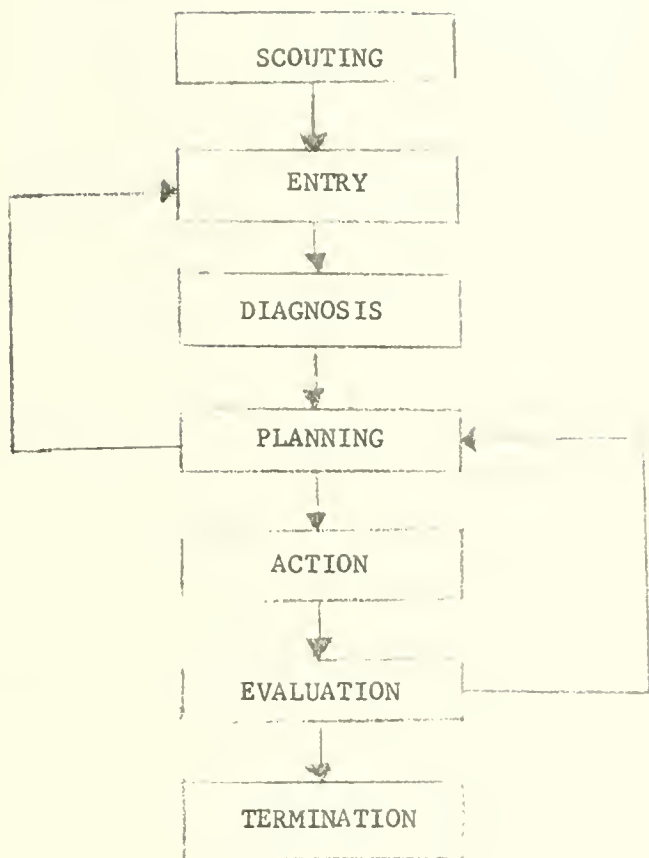


Figure 1

alternatives which are evaluated for their potential impact on the organization.

In the action phase, the alternative that was chosen is carried out, and in the evaluation phase how effective that action was in achieving the objectives stated is looked at. These conclusions feed back into the planning phase for generation of new actions and/or rediagnosis. The termination phase poses the crucial test of the success of the change project, for organizational development, by its name alone, implies that the consultant leaves the organization with a working process that can continue to prepare the organization to define and solve its own problems in the future. The final questions to be asked, therefore are: Can the organization continue to develop without external assistance? Was the timing of the termination correct, or was it the result of frustration or interpersonal or organization conflict? Are both the client and the consultant satisfied that their goals have been achieved?

Scouting: The Roxbury Businessmen's Association

The Roxbury Businessmen's Association was an outgrowth of the Neighborhood Services Project, a program jointly funded by the U. S. Departments of Health, Education and Welfare, Housing and Urban Development, Labor, Commerce, and the Budget, and sponsored by 32 local community agencies. The Neighborhood Services Project was to find out the needs and desires of community members, and then go about structuring appropriate programs to satisfy those needs. Local black businessmen voiced the need for a joint effort to set up a local organization of businessmen which would help them obtain loans and insurance, facilitate wholesale merchandise buying, establish a sense of rapport among themselves, and possibly even provide opportunities for employ-

ment and training within the community. The result was the founding of the Roxbury Businessmen's Association in May, 1968. Emmanuel Eaves, who was working under the Neighborhood Services Project as Economic Development Advisor, became the head of the organization.

On July 22, 1968 the authors and several graduate students of the Sloan School of Management of M. I. T. were called together to meet with Emmanuel Eaves by Mrs. Riva Poor, an employee of Action for Boston Community Development. Mr. Eaves described the Roxbury Businessmen's Association to us, and described the situation of the member businessmen. The Association was a loosely knit group of individual ownership and partnership businesses in the Roxbury and Dorchester communities. These businesses were primarily small stores--variety stores, furniture stores, appliances stores, jewelry shops, as well as service stations, beauty shops and a couple of small manufacturing operations.

The businessmen, on the whole, had no training in management or business practices. The problems they faced were as basic as not having a bookkeeping system for their business. Most of the businesses were existing, but maintaining marginal profits at a high cost of time and energy on the part of the businessmen. Other of the businesses were facing immediate problems such as bankruptcy or a lack of insurance which meant loans were unobtainable even if such loans would be for improvement or purchase of merchandise.

Mr. Eaves pictured the situation as having two basic components: an immediate need of assistance on the part of some businessmen to keep their businesses operating; and the larger need of an education program to expose the men to general business theory and practices to obtain the necessary skills

to operate a business.

The meeting was filled with concern, anxiety and confusion. The typical response of the persons present was, 'Let's do something, quick!', and there was concern about our plan being too late to help. Ideas concerning development programs based on training via small groups of businessmen and students were discussed, and it was soon realized that by helping the businessmen, this project would also help stimulate the M. I. T. community to involvement in the Boston community, and end the frustration of wanting to do something but not knowing what. Thus a willingness to help became a two way street, and the fears that our plans would go by the path of most projects were somewhat lessened. A decision was made to meet the following week.

Entry and Diagnosis: The Building of a Relationship

The meeting on July 29 was a fruitful exchange of ideas. Issues of helping now, versus helping more effectively a little later, again were the cause of anxious feelings. We talked about several training programs for the businessmen with the overriding concern the development of the Roxbury Businessmen's Association. We decided that it was time to meet with the men themselves, and discuss firsthand what they would like in a program, and how they would like to see it structured and conducted. It was important to all the members of this planning group that we build a program to suit the needs of the businessmen, not our perception of their needs.

The meeting of August 7 did not come off as planned. Through a mistake in scheduling, no businessmen were invited and we spent the time discussing several finer points of the development programs which were possible. We

decided that we still needed to meet with the businessmen.

On the afternoon of August 12, we met with approximately 15 businessmen, and they articulated their needs. Possible program designs were discussed and we decided which one would suit the most number of people. The men did not want a formal classroom procedure, but rather an informal seminar, and they preferred meeting at M. I. T. to meeting in Roxbury. The men also gave us a list of the topics they would like to discuss.

That evening we had another meeting with more businessmen, and exchanged impressions on how the afternoon meeting had progressed. It was decided to keep the course small. This project was seen as a pilot program, and the businessmen agreed that a smaller number of high quality successes would be better than either a larger number of possible successes, or failures. They seemed pleased with the possible program. It was decided that we would write up a proposal for the Association and discuss it at the next meeting.

Planning: Selecting a Course of Action

The proposal was presented at the meeting of August 21, and discussed by several of the businessmen and members of the planning group. The Association, which was to have a full meeting the following week, would then discuss the proposal which called for the establishment of a course to meet once a week at M. I. T. from October to January. The format was vaguely defined as a large group lecture lasting for about an hour after which course members would break up into small groups (four businessmen, two students and a faculty member) and talk about the material presented. Then, during the week the students and businessmen would meet on an individual basis.

The theory behind this format was that the large lecture meetings would

be the place for the businessmen to gain a general knowledge of business practices and theory and also meet other men of the Business Association. The small groups of faculty and students would be the place for identifying the problems of the individuals. Here businessmen would share their feelings and thoughts, and realize other businessmen share their problems. In the individual student-businessman meetings during the week, the students would help the men with their individual problems to gain the skills and methodology that they will need to improve their businesses.

This plan was chosen because it seemed to fill a gap in the needs for the development of inner city business mentioned earlier in the paper. While markets, technical skill, motivational training, and capital were available from other sources in the Boston area, what most of the businessmen needed were connections with these resources. The course was designed to stimulate the thinking of the businessmen and to put them in contact with the resources which would allow them to put their new ideas into action.

Before the course began an additional meeting was held with the Association, and it was decided that the special Educational Committee, appointed to be in charge of this and other training programs, would be in charge of choosing 24 men for the course. We felt that they knew the community's needs better than we did.

Meanwhile, a course outline was drawn and circulated among the Sloan School graduate students. The goals of the seminar for the students, as stated in the outline were: to develop business consultation skills; to develop entrepreneurial skills; to develop business analysis skills; and to increase understanding of social change in the Inner City.

Action: The Execution of the Program

Ten course meetings were held, and their activities are summarized in Table A. During the first several meetings both students and faculty members felt some tension arising from their felt role conflict, i.e., the role of a student or instructor; and the role of a consultant. The businessmen also showed the uneasiness of inner city entrepreneurs meeting in the strange culture of the academic environment.

As the time progressed, however, and mutual trust was built, the businessmen began to make good use of the students' skills and contacts. The Skills Bank of the Boston Urban Foundation was of great help in providing technical experts to aid the students in solving specific problems such as tax law or real estate appraisals.

Early in the course the focus was on the general topics discussed in the large group lectures, and attendance was high. As the course progressed, however, more time was spend outside the class on the individual businessmen-student relationships and on the carrying out of specific plans that had been made in the small group meetings. Attendance to the large group lectures dropped off.

The student's efforts proved rewarding for themselves and the businessmen. The importance of the work accomplished in these individual interactions should be stressed. The students were essential in the connection of the material covered in the course meetings and their relevance to the businessmen. They were also able to aid the businessmen in defining problems, setting goals, and in implementing solutions.

Evaluation: The Results of the Course

The answers to three questions indicated the amount which the course

TABLE A Meetings of the RBA/MIT Course

| <u>Date</u> | <u>Topic</u> | <u>Attendance</u> | <u>Topic and Comments</u> |
|-------------|-------------------------------------------|-------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 0/14 | Introduction, Expectations and Objectives | 22 businessmen | The large group was divided into six small groups; discussion in the small groups was about each person's expectation of the course. |
| 0/21 | Skills Bank; Process of acquiring capital | 38 businessmen | Description of the Boston Urban Foundation and the Skills Bank; two bankers spoke on the process of acquiring loans; divided into small groups and reconvened in the large group for questions to the speakers. |
| 0/28 | Accounting | 50 businessmen | Accountant gave the businessmen a problem, which they discussed in the small groups, and reconvened for the solution and questions; discussion was active. |
| 1/4 | Insurance | 33 businessmen | Massachusetts insurance official spoke and the standard format was followed (speaker, small groups, reconvene for questions.) |
| 1/8 | Small Business Administration | 32 businessmen | Representative of the SBA spoke. Emphasis on how to overcome bureaucratic "red tape." |
| 1/25 | Review and Replanning | 17 businessmen | Small groups met to examine what goals had been met and which goals had not been satisfied by the course meetings and the individual student-businessmen interaction. |
| 2/2 | Business Structure | 33 businessmen | Tax lawyer spoke on the pros and cons of different forms of business enterprise. |
| 2/16 | Panel of Professionals | 16 businessmen | Professionals from the Skills Bank discussed a variety of questions with the businessmen. |
| 2/6 | Role of the businessman in the community | 12 businessmen | Faculty members formed a panel and discussed the topic with the businessmen. |
| 3/13 | Philosophy of Small Business | 13 businessmen | Professor of marketing with extensive personal experience spoke on the goals and problems of small business. |

satisfied the goals of the program: Did the businessmen meet other businessmen through the course and establish relationships with these men? Did the course facilitate changes in the business activities by way of new plans and the recognition of problems by the businessmen? And did the course contribute to the building of the Roxbury Businessmen's Association?

The data was gathered by two methods--either by questionnaire handed out at one of the courses's last meetings to those who were there, or by telephone interview for those who were not. Of the 42 businessmen represented in the course, 31 or 69% were contacted, 11 by questionnaire, 20 by phone.

In response to one of the questions concerning changes in business activities, 24% reported no changes while 76% did. (Of the seven persons reporting no changes, three did not own their own businesses at the time of the course, but did report changes in plans for businesses). Percentages indicate the number of persons answering to having made changes of each type over the number of persons answering that they had changed. The percentage of changes of each type were:

| | |
|-------------------------------------------------|-----|
| increased loans or better credit rating. . . . | 18% |
| improved bookkeeping system. | 36% |
| expansion of business to new land or | |
| greater capacity. | 18% |
| improved employee efficiency. | 9% |
| better advertising. | 14% |
| increased awareness of business operations. . . | 18% |

In response to the question concerning changes in business plans, 31% reported no changes and 69% reported changes (seven of the nine persons reporting no changes in plans indicated that they were stimulated to formulate plans or a set of long range goals). Again percentages indicate the number of persons having made changes of each type over the number of persons having

reported changes:

| | |
|----------------------------------------|------|
| expansion/relocation. | .30% |
| more loans. | .10% |
| new marketing techniques. | .15% |
| more insurance. | .10% |
| improved accounting systems. | .10% |
| opening new businesses. | .10% |
| new methods for operations. | .15% |
| utilizing computation system | .5% |
| joint buying. | .5% |

In response to the question concerning problem identification, 7% identified no problems and 93% reported that they had identified problems in their businesses.

| | |
|-------------------------------------------------|------|
| inadequate bookkeeping system. | 22% |
| insufficient capital or credit. | .41% |
| insufficient insurance. | .11% |
| need for new and different merchandise. | .7% |
| poor advertising/marketing technique. | .11% |
| need for expansion/moving. | .11% |
| insufficient personnel. | .7% |

Since the program was in part an attempt to facilitate the businessmen meeting each other to build the Association, the men who were interviewed were asked if they met businessmen through the course that they had not known before. Of the 18 businessmen interviewed, 78% or 14 responded yes. These 14 met an average of eight businessmen, and 79% indicated that they see these businessmen outside of the course. This data suggests that the goal of acquainting businessmen of the community with one another was partially achieved.

The effects of the course on the Roxbury Businessmen's Association were indirect and yet critical in building the organization. The Education Committee which was formed to administer this course and look into other possibilities for educating the businessmen, has since promoted other activities

with other universities and community organizations, and has addressed itself to the internal organizational problems of the Association. Because of its success in coordinating the M. I. T. course, the committee became a focal point for other organizational projects. Through contact with students, faculty, speakers in the course, members of the skills bank, and others, the Association members began to see many new ways of working together on activities which could improve the business climate in their community.

As was mentioned earlier, one of the goals of the project was to involve the M.I.T. Sloan School of Management in a reciprocal relationship with the black community which would both develop the interests of faculty members in the problems of the inner city, and bring these academic resources to bear, on a continuing basis, to the problems of inner city businesses. We were only moderately successful in achieving this goal. This is due primarily to three reasons.

First, we did not spend enough time communicating with and involving people from the M. I. T. community. The pressures of other commitments forced us to spend our limited time solving the highly visible problems the businessmen presented, and administering the details of course meetings, speakers, etc. The less pressing task of talking with others about the project got brushed aside.

Secondly, and ironically enough, we involved too many faculty members in the course on a part-time basis. Most of the faculty in the course were fully committed elsewhere and were volunteering their time for this project. We could not, and did not, therefore, involve them directly enough in the helping process for them to reap the rewards involved in seeing a business improve and take shape. On the contrary their partial involvement caused

only frustration and guilt about not being able to do more.

The third reason is related to the nature of the M. I. T. Sloan School. The school and its faculty are primarily interested in the management of large corporations, and many of the faculty and students felt that they did not know anything about small business. The students who got full involved with businessmen soon found that this was not the case, and that not only could they help them, but that the businessmen's problems were quite challenging. Since the general thrust of the school's activities was away from small businesses in the city, and because the faculty were less involved than the students, the impression lingered that they knew nothing about the problem of small business. Therefore it was difficult for whatever interest there was to take hold and grow.

Termination

As the course at M. I. T. drew to a close, it became clear to the students that their work with these businessmen would not end by January. As a result, many of the students continued their work with certain businessmen. One student is currently teaching a course in accounting to 15 of the men; other graduate students of the Sloan School are continuing work with the Association in varying capacities. These relationships will most likely continue on an informal basis for some time. Faculty involvement with the Association has ceased for the time being although there are tentative plans for future activities.

Summary and Conclusions

As we reread our description of the Roxbury program it is clear that in our attempt to convey the logic of our approach and our successes, we overshadowed the illogic of many of our actions and our failures.

To summarize, let us attempt to redress this imbalance. The program was moderately successful in that it stimulated the majority of the businessmen to identify problems in their businesses and to take action toward solving these problems. It was also successful in serving as a focal point for acquainting the businessmen of the community with one another and in encouraging them to joint action through the Association.

The failures of the program stem primarily from our low-intensity, part-time involvement in the project. Since most of the faculty took this project on in addition to their regular academic duties, they could not, because of other commitments to the university, devote the time necessary to involve themselves on a continuing basis. The students, however, had more time to get involved since this course was part of their regular school activities. It is important to emphasize the impact of this experience on them. For many, working with the businessmen gave them their first personal contact with social injustices, and they saw, first hand, how subtle the pressures of prejudice can be. This realization had substantial impact on their attitudes and behaviors; several became committed to strong personal action.

Lack of faculty involvement, therefore, had several negative effects in addition to the ones mentioned earlier. It caused many decisions about the course to be made without the data and participation of the businessmen. Secondly it tended to focus the attention of the program more on the course and less on the development of the Roxbury Businessmen's Association as an

organization. Substantially more attention should have been directed toward the organizational problems of the Association. Several of the members felt as though we did not respond to the requests for help in planning the organization's future structure and activities. Thirdly our inability to help with these activities because of the time commitment left the Association with the difficult task of developing the organization's possibilities to meet the new expectations of the members which were excited through the M. I. T. course. Although the Roxbury Association is at present meeting this challenge, we might have made the way easier.

